

## TARIFF ACTION MEMORANDUM

File No.: TA338-13

Date: December 3, 2020<sup>1</sup>

Date Filed: October 16, 2020

Statutory End Date: November 30, 2020

Extended End Date: December 7, 2020

Utility: Golden Valley Electric Association, Inc.

Description: Special Contract Revision

### Synopsis of Filing:

Golden Valley Electric Association, Inc. (GVEA) requests approval of the *Amended and Restated Special Electric Service Contract* (Amended Contract) with Aurora Energy Solutions, LLC.

### **Tariff Recommendation:**

Staff recommends the Commission approve the Amended Contract and Tariff Sheet No. 117 filed on October 16, 2020, effective December 7, 2020.<sup>2</sup>

**Reason(s) for the above-indicated recommendation:** See attached memorandum.

Signed: James Layne Title: Utility Engineering Analyst  
James "Jay" Layne

Commission decision regarding this recommendation:

	Date (if different from 12/3/20)	<u>I CONCUR</u>	<u>I DO NOT CONCUR</u>	<u>I WILL WRITE A DISSENTING STATEMENT*</u>
Pickett		<u>RMP</u>		
McAlpine		<u>SM</u> SM		
Scott		<u>AGS</u> AGS		
Sullivan		<u>DS</u> DS		
Wilson		<u>JW</u> JW		

\*If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

<sup>1</sup> Staff signed the memorandum on December 1, 2020.

<sup>2</sup> The Amended Contract is attached as Exhibit JOL-1 and the side-by-side tariff sheet is attached as Exhibit JOL-2.

STATE OF ALASKA  
**The Regulatory Commission of Alaska**  
701 West 8<sup>th</sup> Ave., Suite 300  
Anchorage, Alaska 99501-3469

**M E M O R A N D U M**

To: Robert M. Pickett, Chairman  
Stephen McAlpine  
Antony Scott  
Daniel A. Sullivan  
Janis W. Wilson

Date: December 3, 2020<sup>3</sup>

From: Jay Layne, Utility Engineering Analyst

Subject: TA338-13, Golden Valley Electric Association, Inc.  
Amended Contract with Aurora Energy Solutions, LLC.

**STATEMENT OF CASE**

Golden Valley Electric Association, Inc. (GVEA) requests approval of the *Amended and Restated Special Electric Service Contract* (Amended Contract) with Aurora Energy Solutions, LLC (AE Solutions).

**RECOMMENDATION**

Staff recommends the Commission approve the Amended Contract and Tariff Sheet No. 117 filed on October 16, 2020, effective December 7, 2020.<sup>4</sup>

**PROCEDURAL HISTORY**

On October 16, 2020, GVEA filed TA338-13 requesting approval of the Amended Contract with AE Solutions.<sup>5</sup> Public notice was issued on October 21, 2020, with a closing date of November 23, 2020.<sup>6</sup> No public comments were received.

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<sup>3</sup> Staff signed the Tariff Action Memorandum on December 1, 2020.

<sup>4</sup> The Amended Contract is attached as Exhibit JOL-1 and the side-by-side tariff sheet is attached as Exhibit JOL-2.

<sup>5</sup> *Golden Valley Electric Association –Special Contract with Aurora Energy Solutions, LLC*, filed October 16, 2020 (TA Filing).

<sup>6</sup> *Public Notice for Golden Valley Electric Association, Inc.* issued April 10, 2020.

## ANALYSIS

Staff reviews a tariff filing to ensure compliance with applicable regulations (3 AAC 48.200-3 AAC 48.430).<sup>7</sup> Staff also reviews proposed tariff sheets to ensure the stated text is easily understood, and the tariff provisions clearly and comprehensively describe and address the situation to which the tariff provision applies. When approving the tariff filing, the Commission must be assured that rates and services are just, reasonable, and non-discriminatory.<sup>8</sup>

Special contracts, by definition,<sup>9</sup> are deviations from the utility's approved tariff. 3 AAC 48.820(36)(a), which defines special contracts, requires that the special contract grant no unreasonable preference or advantage to the customer. Special contracts must also comply with 3 AAC 48.390(a), which requires Commission approval prior to the special contract taking effect and allows the Commission to revise the contract at all times.

### *Special Contract*

AE Solutions recently acquired Superior Pellet Fuels, LLC (Superior Pellet). As part of the transaction, the *Special Electric Service Contract* (Special Contract) between GVEA and Superior Pellet was assigned to AE Solutions.<sup>10</sup> AE Solutions desires to receive service under the Special Contract and is proposing no changes to Superior Pellet's operational restrictions that generated the mutual benefits identified in the Commission-approved Special Contract.

With this filing, GVEA requests Commission approval of administrative changes to the Special Contract with Superior Pellet to reflect the acquisition of Superior Pellet by AE Solutions. Staff's review of the Amended Contract reveals the only changes made to the previous Special Contract with Superior Pellet is the replacement of Superior Pellet with AE Solutions. Staff's review found no other substantial modifications. Therefore, Staff recommends the Commission approve the Amended Contract between GVEA and AE Solutions.

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<sup>7</sup> See 3 AAC 48.200-430, *Utility and Pipeline Tariffs*.

<sup>8</sup> See AS 42.05.411, *New or Revised Tariffs*, AS 42.05.291, *Standards of Service and Facilities*, AS 42.05.301, *Discrimination in Service*, AS 42.05.391, *Discrimination in Rates*, and AS 42.05.381, *Rates to be Just and Reasonable*.

<sup>9</sup> 3 AAC 48.820(36) states that a special contract includes

a written agreement between a utility and customer which contains rates, tolls, rentals or charges, or terms and conditions that deviate substantially from those contained in the same utility's effective tariff for like service offered to the general public under comparable conditions, but excludes contracts that deviate from the serving utility's effective tariff only in respect to incidental matters such as access to the premises, points of delivery, measuring devices, etc., and do not have the effect of granting the contracting customer and unreasonable preference or advantage or of subjecting the customer to an unreasonable prejudice or disadvantage as to rates, service, or facilities;...

<sup>10</sup> See TA297-13. The special contract between GVEA and Superior Pellet was approved with Letter Order No. L1700222 issued June 6, 2017.

## *Revised Tariff Sheet*

Tariff Sheet No. 117 contains the list of special contracts that GVEA is a party. GVEA has included the Amended Contract to the list of special contracts. Staff believes the proposed revision is necessary and recommends the Commission approve Tariff Sheet No. 117.

## **CONCLUSION**

Staff recommends the Commission approve Tariff Sheet No. 117, filed by GVEA on October 16, 2020. Staff also recommends the Commission approve the Amended Contract between GVEA and AE Solutions filed on October 16, 2020. The effective date of the tariff sheet and Amended Contract should be December 7, 2020.

**Signature:** 

**Email:** bob.pickett@alaska.gov

**Signature:**   
Stephen McAlpine (Dec 2, 2020 17:29 AKST)

**Email:** stephen.mcalpine@alaska.gov

**Signature:** 

**Email:** antony.scott@alaska.gov

**Signature:**   
Dan Sullivan (Dec 3, 2020 09:32 AKST)

**Email:** daniel.sullivan@alaska.gov

**Signature:** 

**Email:** janis.wilson@alaska.gov



## **AMENDED AND RESTATED SPECIAL ELECTRIC SERVICE CONTRACT**

THIS AMENDED AND RESTATED SPECIAL ELECTRIC SERVICE CONTRACT ("Agreement"), dated October 9, 2020, is made by and between Golden Valley Electric Association, Inc. ("GVEA") and Aurora Energy Solutions, LLC, formerly Superior Pellet Fuels, LLC, located at 1595 Westcott Drive, North Pole, AK 99705 ("AE Solutions"). This Agreement sets forth the terms and conditions under which GVEA shall provide, and AE Solutions shall pay for, electric service at its North Pole facility. GVEA and AE Solutions are each hereinafter sometimes referred to as a "Party" or together as the "Parties."

### **RECITALS**

WHEREAS, GVEA serves the Northern Interior of Alaska pursuant to the authority granted by the Regulatory Commission of Alaska ("Commission") under Certificate of Public Convenience and Necessity ("CPCN") No. 13.

WHEREAS, on June 6, 2017, the Commission approved a special contract between GVEA and Superior Pellet Fuels, LLC ("Superior Pellet").<sup>1</sup>

WHEREAS, the special contract provided for an alternative arrangement to GVEA's demand ratchet mechanism under which Superior Pellet could maximize its production and, at the same time, provide load management and peak shaving benefits to GVEA by adhering to certain operational restrictions.

WHEREAS, on June 5, 2020, AE Solutions finalized the terms of an asset purchase agreement, whereby AE Solutions acquired Superior Pellet Fuels, LLC.

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<sup>1</sup> See Commission Letter Order No. L1700222.

WHEREAS, as a result of the acquisition, AE Solutions assumed all right and obligations of the special contract entered into between GVEA and Superior Pellet Fuels, LLC on April 14, 2017.

WHEREAS, AE Solutions has expressed to GVEA its intent for the special contract to continue, with no modifications to the terms and conditions.

WHEREAS, the Parties have agreed, consistent with Sections 3.0 and 7.3 of the Agreement, to modify the special contract to reflect the acquisition of Superior Pellet Fuels, LLC by AE Solutions, subject to approval of the Commission.

WHEREAS, AE Solutions manufactures wood pellets used in the heating of homes and businesses in Interior Alaska.

WHEREAS, AE Solutions currently receives electric service from GVEA under Schedule No. GS-2(P).

WHEREAS, the Interior is experiencing air quality concerns.

WHEREAS, pellets produced by AE Solutions can assist in the reduction in the level of particulate matter emissions producing less emissions than EPA-certified wood stoves operating with dry firewood.

WHEREAS, AE Solutions wants to produce wood pellets during the demand peak months of November through March for its bulk purchasers and is willing to incorporate operational changes to its production activities so that it can continue to produce inventory during the winter when there is demand for its bulk product without incurring the ratchet charges during peak demand months (i.e., November-March) under GVEA Schedule No. GS-2(P).

WHEREAS, shifting load from the winter months to the summer months and to off peak times during the winter serves to reduce the cost of electric service for GVEA and its Members.

WHEREAS, it is in the best interests of Interior Alaska and the Members of GVEA that the Fairbanks North Star Borough reduce its particulate emissions (PM<sub>2.5</sub>).

WHEREAS, the type wood pellets and compressed logs manufactured by AE Solutions assists in reducing particulate emissions in Interior Alaska.

WHEREAS, GVEA and AE Solutions are entering this Agreement to set forth the terms and conditions under which AE Solutions will alter and restrict its production activities so that GVEA Members are not economically disadvantaged by AE Solutions operations and sufficient wood pellet product inventory can be made available for Interior Alaska throughout the winter months.



## AGREEMENT

WHEREFORE, the Parties hereby agree:

- 1.0 Term.** The term of this Agreement shall begin on the date of approval of this Agreement by the Commission, and shall continue until the earlier of (a) AE Solutions no longer receives electric service from GVEA; (b) AE Solutions provides notice to GVEA that the production activities of AE Solutions no longer require the terms and conditions of this Agreement to be in effect; or (c) in accordance with Paragraph 2.0 of this Agreement.
- 2.0 Termination.** This Agreement can be terminated as set forth in this Paragraph.

  - 2.1 Mutual Consent** - This Agreement may be terminated by mutual consent of the Parties at any time.
  - 2.2 Upon Default** - This Agreement may be terminated by either Party when the other Party defaults by failing in any material way to perform its obligations hereunder. The Party wishing to terminate the Agreement because of a default shall provide the other Party breaching the Agreement with written notice of its intent to terminate because of default including a detailed statement specifying the grounds for termination. The Party receiving notice of intent to terminate shall have thirty (30) days' after receipt of written notice within which to cure the breach before termination becomes effective.
  - 2.3 Commission** - This Agreement may be terminated by the Commission.
  - 2.4 Revision by Commission** - In the event the Commission revises this Agreement under Paragraph 3.0 in such a manner that a Party no longer believes it is in that Party's best interests of that Party to continue under this Agreement, the Party believing that continuing under this Agreement is not in its best interests may unilaterally terminate this Agreement.
- 3.0 Revisions by Commission.** This Agreement shall always be subject to revision(s) by the Commission under 3 AAC 48.390. Both Parties shall be given notice and an opportunity to be heard should the Commission be considering any revision to this Agreement.
- 4.0 Suspension of Ratchet.** GVEA shall suspend (i.e., waive) the ratchet charge mechanism contained in its Schedule No. GS-2(P) between the hours of 10PM and 6AM during the demand peak months of November through March when AE Solutions operates its production activities as follows:

- 4.1 Shift of Operations** – AE Solutions will use its best efforts to produce the maximum amount of pellet product that can be reasonably produced and stored during months other than the peak demand months of November through March.
- 4.2 Peak Demand Month Procedures** – AE Solutions will restrict its production activities during the peak demand months of November through March as follows:
  - 4.2.1** Unless otherwise agreed, AE Solutions can use no more than 2 MW of electric demand capacity at any time.
  - 4.2.2** AE Solutions shall provide notice to GVEA Dispatch of AE Solutions' intention to produce during any of the demand peak months of November through March no later than 8 AM on the day preceding the evening in which it wants to operate its production facilities including in its notice the estimated load and duration of the production activities.
  - 4.2.3** GVEA Dispatch must authorize, in advance, any production activities of AE Solutions during the demand peak months of November through March.
  - 4.2.4** After GVEA dispatch approves the intended production activities of AE Solutions for the following evening, AE Solutions is only authorized to operate its production activities between the hours of 10PM and 6AM to receive the suspension of the demand ratchet.

The restrictions set forth in this Paragraph 4.2 are material terms to this Agreement.

- 5.0 Tariff Provisions.** AE Solutions shall continue to take electric service under GVEA Schedule No. GS-2(P) and any later amendments and/or revisions approved by the Commission including, but not limited to, the following:

- 5.1 Monthly Demand Charge** – The applicable demand charge will be charged for each month.
- 5.2 Demand Ratchet** – The demand ratchet will be applied to all electric service taken between the hours of 6:01AM and 9:59PM during the demand peak months of November through March. The demand ratchet will not be applied for electric service taken during the months of April through October.



- 6.0 Indemnity.** AE Solutions shall indemnify, defend, and hold harmless GVEA, its owners, members, officers, agents, and employees harmless from all claims, damages, injury, costs, attorney fees, and liability of any type whatsoever arising directly or indirectly from or in association with this Agreement.

**7.0 General Provisions.**

- 7.1 Governing Law** – This Agreement shall be interpreted, construed, and enforced in accordance with, and otherwise governed in all respects by, the law of the State of Alaska.
- 7.2 CPCN** – Any provision of this Agreement deemed to conflict with the authority granted GVEA by the Commission under its CPCN No. 13 shall be void.
- 7.3 Modifications/Amendments** – This Agreement may only be modified and/or amended by a writing signed by both parties and authorized by the Commission under Paragraph 3.0 of this Agreement.
- 7.4 Entire Agreement** – This Agreement contains the entire understanding by and between the Parties and supersedes all prior agreements, oral or written, relating to the subject matter hereof.
- 7.5 Non-Waiver** – The failure of either Party to enforce a provision of this Agreement shall in no way constitute a waiver of that provision, or the right to enforce all provisions of this Agreement. No waiver shall be enforceable unless in writing and signed by the waiving Party.
- 7.6 Paragraph Headings** – The descriptive headings used throughout this Agreement are for the convenience and reference of the Parties. The words contained therein shall not be used to expand, and/or modify the meaning of this Agreement or to aid in the interpretation or construction of this Agreement.
- 7.7 Construction** – Both Parties have had the opportunity to consult their respective counsel of choice about the preparation and execution of this Agreement. The terms and conditions of this Agreement shall not be construed in favor of one Party or the other Party as the drafter of this Agreement.
- 7.8 Recitals** – The Recitals to this Agreement shall be incorporated and made part of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first set forth above.

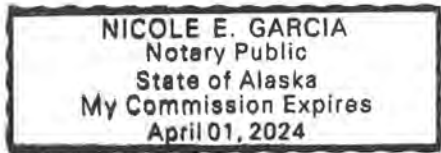
**Aurora Energy Solutions, LLC**

By [Signature]  
Its General Manager

**Golden Valley Electric Association, Inc.**

By [Signature]  
Its President & CEO

STATE OF ALASKA                    )  
  ) ss me this 9<sup>th</sup> day of October, 2020,  
FOURTH JUDICIAL DISTRICT) by Nicole E. Garcia



Notary Seal

[Signature]  
Notary Public in and for Alaska  
My Commission Expires: 04/01/2024

RCA No. 13 Third Revision Sheet No. 117  
Canceling: Second Revision Sheet No. 117

**RECEIVED**  
**MAY 29 2018**  
STATE OF ALASKA  
REGULATORY COMMISSION OF ALASKA

**GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.**

**RULES AND REGULATIONS**  
**APPENDIX II**

SPECIAL CONTRACT LIST

Contract with Fairbanks Gold Mining, Inc., titled: Agreement to Extend Transmission Facilities and for the Sale and Purchase of Electric Power.

See U-93-094(2), effective May 9, 1994

Contracts with Alyeska Pipeline Service Company titled: TAPS/8805 Power Sales Agreement Between Golden Valley Electric Association, Inc. and Alyeska Pipeline Service Company, and TAPS/8825 Agreement to Construct Electric Facilities Between Golden Valley Electric Association, Inc. and Alyeska Pipeline Service Company.

See TA163-13, effective April 6, 2006

Contract with TECK-POGO, Inc. titled: Agreement to Connect Member-Owned Transmission Facilities and for the Sale and Purchase of Electric Power between Golden Valley Electric Association, Inc., and TECK-POGO, Inc.

See U-05-092(3), effective June 16, 2006

First Amendment to Contract with Fairbanks Gold Mining, Inc., titled: First Amendment to Agreement to Extend Transmission Facilities and for the Sale and Purchase of Electric Power between Golden Valley Electric Association, Inc., and Fairbanks Gold Mining, Inc.

See TA276-13, effective March 1, 2016

Contract with Superior Pellet Fuels, LLC titled: Special Electric Service Contract

See TA297-13, effective June 6, 2017

Contract with University of Alaska Fairbanks titled: Special Electric Regulation Service Contract

N  
N

Tariff Advice No. TA316-13 Effective: **July 16, 2018**

Issued by: Golden Valley Electric Association, Inc.

By: *Cory R. Borgeson* Title: President & CEO  
Cory R. Borgeson

RCA No. 13 Fourth Revision Sheet No. 117  
Canceling: Third Revision Sheet No. 117



**GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.**

**RULES AND REGULATIONS**  
**APPENDIX II**

SPECIAL CONTRACT LIST

Contract with Fairbanks Gold Mining, Inc., titled: Agreement to Extend Transmission Facilities and for the Sale and Purchase of Electric Power.

See U-93-094(2), effective May 9, 1994

Contracts with Alyeska Pipeline Service Company titled: TAPS/8805 Power Sales Agreement Between Golden Valley Electric Association, Inc. and Alyeska Pipeline Service Company, and TAPS/8825 Agreement to Construct Electric Facilities Between Golden Valley Electric Association, Inc. and Alyeska Pipeline Service Company.

See TA163-13, effective April 6, 2006

Contract with TECK-POGO, Inc. titled: Agreement to Connect Member-Owned Transmission Facilities and for the Sale and Purchase of Electric Power between Golden Valley Electric Association, Inc., and TECK-POGO, Inc.

See U-05-092(3), effective June 16, 2006

First Amendment to Contract with Fairbanks Gold Mining, Inc., titled: First Amendment to Agreement to Extend Transmission Facilities and for the Sale and Purchase of Electric Power between Golden Valley Electric Association, Inc., and Fairbanks Gold Mining, Inc.

See TA276-13, effective March 1, 2016

Contract with Aurora Energy Solutions, LLC titled: Amended and Restated Special Electric Service Contract. C,T  
T

Contract with University of Alaska Fairbanks titled: Special Electric Regulation Service Contract.

See TA316-13, effective July 13, 2018 T

Tariff Advice No. TA338-13 Effective:

Issued by: Golden Valley Electric Association, Inc.

By: *Monica Grassi for* Title: President & CEO  
John J. Burns